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**NORTHWEST LOUISIANA COUNCIL
OF GOVERNMENTS
SHREVEPORT, LOUISIANA
JUNE 30, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/26/08

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SHREVEPORT, LOUISIANA

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NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SHREVEPORT, LOUISIANA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of Northwest Louisiana Council of Governments provides an overview of the Council's financial activities for the fiscal years ended June 30, 2007 and 2006. Please read it in conjunction with the Council's financial statements, which begin on Page 3.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on Pages 3 and 4) provide information about the activities of the Council as a whole. Fund financial statements start on Page 5. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Council's operations in more detail than the government-wide statements by providing information about the Council's most significant funds. The accompanying financial statements present information only on the funds maintained by the Council.

Reporting the Funds Maintained by the Commission as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the funds maintained by the Council as a whole begins on Page 3. The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the Council as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting.

These two statements report the Council's *net assets* and changes in them. The Council's net assets - the difference between assets and liabilities - is one way to measure the Council's financial health, or *financial position*. Over time, *increases or decreases* in the Council's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, we record the activities in the funds maintained by the Council as governmental activities:

Governmental activities - expenses related to, and resources provided for, regional and metropolitan transportation planning.

Reporting the Most Significant Funds Maintained by the Council

Our analysis of the major funds maintained by the Council begins on Page 5. The fund financial statements provide detailed information about the most significant funds maintained by the Council - not necessarily the Council as a whole. The Council's funds use the following accounting approaches.

Governmental fund - All of the Council's expenses in transportation planning are reported in a governmental fund, which focuses on how money flows into and out of this fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual basis*. The governmental fund statements provide a detailed *short-term view* of the Council's operations and the expenses paid from the fund. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Council expenses. However, because the Council recovers the costs of depreciation and

statements include capital assets and accrued compensated absences liabilities. Consequently, there are no differences between governmental activities (reported in the Statement of Net Assets and the Statement of activities) and the governmental fund financial statements.

THE FUNDS MAINTAINED BY THE COUNCIL AS A WHOLE

The Council's total net assets changed from a year ago, increasing from \$49,558 to \$137,850. This increase amounted to \$88,292, or 178%. Both current assets and current liabilities increased during the year, as local funds were used to supplement operations and augment current assets.

Table 1
Net Assets

	<u>Government-Wide Activities</u>	
	<u>2007</u>	<u>2006</u>
Current assets	262,675	60,136
Capital assets, net	<u>18,902</u>	<u>24,289</u>
Total assets	281,577	84,425
Current liabilities	<u>143,727</u>	<u>34,867</u>
Total liabilities	143,727	34,867
Net assets:		
Investment in capital assets	18,902	24,289
Unreserved and undesignated	<u>118,948</u>	<u>25,269</u>
Total net assets	<u>137,850</u>	<u>49,558</u>

Table 2
Changes in Net Assets

	<u>Government-Wide Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenues		
Operating Grants	1,096,394	710,555
Other	<u>4,399</u>	<u>3,474</u>
Total revenues	1,100,793	714,029
Expenses		
General governmental-transportation planning	<u>1,012,501</u>	<u>847,899</u>
(Decrease) in net assets	<u>88,292</u>	<u>(133,870)</u>

For the funds maintained by the Council, net assets increased by \$88,292. This increase was mainly the result of an increase in federal grant funding for operations.

CAPITAL ASSETS

At the end of 2007, the Council had invested \$180,604 in capital assets from those funds maintained by the Council.

Table 3
Capital Assets At Year End

	<u>Government-Wide Activities</u>	
	<u>2007</u>	<u>2006</u>
Furniture and equipment	180,604	180,604
<u>Less-accumulated depreciation</u>	<u>(161,702)</u>	<u>(156,315)</u>
	<u>18,902</u>	<u>24,289</u>
The years' major additions included:		
Vehicle	<u>-</u>	<u>19,811</u>

FUTURE OPERATIONS

The Council expects, in addition to its normal transportation planning, to continue to administer a federal grant for environment assessment and cleanup planning in 2008. This work will be performed almost entirely by subcontractors. The Council also expects to continue administering contracts for environmental assessments for the Bossier Parish Congestion Relief Plan. This work, expected to ultimately total about \$1.2 million, also will be performed almost entirely by subcontractors.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our readers with a general overview of the finances for those funds maintained by the Council and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Northwest Louisiana Council of Governments at 401 Market Street, Suite 460, Shreveport, Louisiana 71101.

AUDITED FINANCIAL STATEMENTS

**HEARD
McELROY
& VESTAL**
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December 31, 2007

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northwest Louisiana Council of Governments as of and for the year ended June 30, 2007, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Northwest Louisiana Council of Governments' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northwest Louisiana Council of Governments as of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying required supplementary information, consisting of management's discussion and analysis on pages i through iii and budgetary comparison information on page 14, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Northwest Louisiana Council of Governments. The supplementary financial information listed in the table of contents for pages 15 through 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such

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information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2007 on our consideration of Northwest Louisiana Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Hard, M^cElroy & Vistal, LLP

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

GOVERNMENT WIDE STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental Activities</u>
<u>Assets:</u>	
Cash	79,148
Federal grant receivables	176,062
Other receivables	7,465
Fixed assets, net of accumulated depreciation	<u>18,902</u>
Total assets	281,577
<u>Liabilities:</u>	
Accounts payable	68,580
Due to other governments	46,871
Accrued compensated absences	27,418
Other liabilities	<u>858</u>
Total liabilities	143,727
<u>Net assets:</u>	
Fund balance unreserved/undesignated	118,948
Investment in general fixed assets	<u>18,902</u>
Total net assets	<u>137,850</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Governmental Activities</u>
<u>Expenses:</u>	
Governmental activities:	
Transportation planning	<u>1,012,501</u>
Total expenses	1,012,501
<u>Program revenue:</u>	
Operating grants	<u>1,096,394</u>
<u>Net revenue</u>	83,893
<u>General revenue:</u>	
Interest and miscellaneous	4,399
<u>Fund balance at beginning of year</u>	<u>49,558</u>
<u>Fund balance at end of year</u>	<u>137,850</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

BALANCE SHEET-GOVERNMENTAL FUNDS

JUNE 30, 2007

	Governmental Fund Type General Fund
<u>ASSETS</u>	
Cash-Note 10	79,148
Federal grant receivables	176,062
Other receivables-Note 7	7,465
Fixed assets-Note 5	180,604
Less-accumulated depreciation	<u>(161,702)</u>
Total assets	<u>281,577</u>
<u>LIABILITIES AND FUND EQUITY</u>	
<u>Liabilities:</u>	
Accounts payable	68,580
Due to other governments	46,871
Accrued compensated absences-Note 3	27,418
Other liabilities	<u>858</u>
Total liabilities	143,727
<u>Fund equity:</u>	
Fund balance-unreserved	118,948
Fund balance-reserved for fixed assets	<u>18,902</u>
Total fund equity	<u>137,850</u>
Total liabilities and fund equity	<u>281,577</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>
<u>Revenues:</u>	
Federal grants	840,734
Local funds	255,660
Interest and miscellaneous	<u>4,399</u>
Total revenues	1,100,793
<u>Expenditures:</u>	
Direct grant costs	288,351
Indirect grant costs-Note 6	427,542
Nonproject costs	7,799
Other contract costs	<u>288,809</u>
Total expenditures	<u>1,012,501</u>
<u>Excess of revenues over expenditures</u>	88,292
<u>Fund balance at beginning of year</u>	<u>49,558</u>
<u>Fund balance at end of year</u>	<u>137,850</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

1. Financial Reporting Entity

Northwest Louisiana Council of Governments (NLCOG) was established October 25, 1966 as Shreve Area Council of Governments, under the authority of Louisiana R.S. 33:1321, et seq. under the pertinent section termed Intergovernmental Relations. The cities of Shreveport, Bossier City, and Minden, and the Parishes of Caddo, Bossier and Webster enacted resolutions authorizing the establishment of NLCOG under the referenced statutes. During the current year, NLCOG, as a metropolitan planning organization, received funding from various federal, state and local grants as further outlined below.

Louisiana Department of Transportation and Development (No. 736-09-0140) Federal Aid Project No. PL-0011(030), contract for Metropolitan Planning, Shreveport Urbanized Area, effective July 1, 2006, in the amount of \$623,798 of which the maximum federal share comprises \$499,039. A maximum of eighty percent (80.00%) of the project is federally funded with the remainder being funded through local monies.

Louisiana Department of Transportation and Development (No. 741-09-002) FTA Project No. LA-80-X015, contract for Regional Planning, Shreveport Urbanized Area, effective July 1, 2005, in the amount of \$78,881 of which the maximum federal share comprises \$63,105. A maximum of eighty percent (80.00%) of the project is federally funded with the remainder being funded through local monies.

Shreveport Transit Authority, funding for the support of transit planning projects, in the approximate amount of \$40,000. The maximum federal share is eighty percent.

Louisiana Department of Transportation and Development (No. 700-08-0129) Federal Aid Project No. DE-0806(504), contract for a feasibility study for Bossier Parish Congestion Relief North-South Corridor in Bossier Parish, in the amount of \$383,522 of which the maximum federal share comprises \$306,818. A maximum of eighty percent (80.00%) is federally funded with the remainder being funded through Bossier Parish monies.

U.S. Environmental Protection Agency Cooperative Agreement (No. BF-97687301), contract for oversight and subgrants to identify, assess, and conduct cleanup activities at certain brownfield sites. The maximum amount of this agreement is \$222,429, with 100% federally funded.

2. Summary of Significant Accounting Policies

a. Presentation of Statements:

The Council's statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

2. Summary of Significant Accounting Policies (Continued)

The Council has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds; however, the Council has chosen not to do so because it does not have any business-type activities or enterprise funds. The more significant accounting policies established in GAAP and used by the Council are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Council's overall financial position and results of operations.
- Governmental-Wide Financial statements prepared using full accrual accounting for all of the Council's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

b. Basic Financial Statements - Government-Wide Statements:

The Council's basic financial statements include both Government-Wide (reporting the Council as a whole) and fund financial statements (reporting the Council's major funds). Both the Government-Wide and Fund Financial Statements categorize primary activities as either governmental or business type. The Council's functions and programs have been classified as governmental activities. The Council does not have any business-type activities, fiduciary funds, or any component units that are fiduciary in nature. Accordingly, the Government-Wide financial statements do not include any of these activities or funds.

In the Government-Wide Statement of Net Assets, the governmental type activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. Restricted net assets consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Unrestricted net assets include all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Government-Wide Statement of Activities reports both the gross and net cost of the Council's functions and significant programs. The Statement of Activities begins by presenting gross direct and indirect expenses that include depreciation, and then reduces the expenses by related program revenues, such as operating and capital grants and contributions,

2. Summary of Significant Accounting Policies (Continued)

to derive the net cost of each function or program. Program revenues must be directly associated with the function or program to be used to directly offset its cost. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The Council did not receive any capital-specific grants this year.

The Government-Wide Statements focus upon the Council's ability to sustain operations and the change in its net assets resulting from the current year's activities.

c. Basic Financial Statements - Fund Financial Statements:

The financial transactions of the Council are reported in individual funds in the Fund Financial Statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The Council uses governmental fund types. The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. An additional emphasis is placed on major funds within the governmental fund types. A fund is considered major if it is the primary operating fund of the Council or if its total assets, liabilities, revenues, or expenditures are at least 10% of the corresponding total for all funds of that category or type.

Governmental fund equity is called the fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further split into designated and undesignated. Reserved means that the fund balance is not available for expenditure because resources have already been expended (but not consumed), or a legal restriction has been placed on certain assets that makes them only available to meet future obligations. Designated fund balances result when management tentatively sets aside or earmarks certain resources to expend in a designated manner. In contrast to reserved fund balances, designated amounts can be changed at the discretion of management.

The following is a description of the governmental funds of the Council:

- **The General Fund** is the general operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund. It is the only fund on the Council's financial statements, and therefore the only major fund.

d. Measurement Focus and Basis of Accounting:

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

2. Summary of Significant Accounting Policies (Continued)

i. Accrual Basis - Government-Wide Financial Statements (GWFS):

The Statement of Net Assets and the Statement of Activities display information about the Council as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

ii. Modified Accrual Basis - Fund Financial Statements (FFS):

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available.

e. Cash and Cash Equivalents:

Cash includes amounts in demand deposits, interest-bearing demand deposits, and petty cash. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Cash and cash equivalents are reported at their carrying amounts that equal their fair values.

f. Fixed Assets:

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Fixed assets are long-lived assets that have been purchased or acquired with an original cost of at least \$1,500 and that have an estimated useful life of greater than one year. When purchased or acquired, these assets are recorded as fixed assets in the Government-Wide Statement of Net Assets. Also, in the Fund Financial Statements, fixed assets are recorded as expenditures of the fund that provided the resources to acquire the asset because the related depreciation is a component of indirect costs of the Council's program. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation.

g. Unpaid Compensated Absences:

The Council's policies for vacation time permit employees to accumulate earned but unused vacation leave. Accordingly, a liability for the unpaid vacation leave has been recorded in the Government-Wide Statements. The amount accrued as the compensated absence liability was determined using the number of vested vacation hours for each employee multiplied by the employee's wage rate in effect at the end of the year.

In addition, the governmental funds in the Fund Financial Statements report compensated absence liabilities because the related costs are a component of the Council's indirect costs charged to its grants.

2. **Summary of Significant Accounting Policies** (Continued)

h. Management's Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

i. Budgets and Budgetary Policy:

Budgets for NLCOG are prepared by the Executive Director as part of the Unified Planning Work Program (UPWP). The budget is then adopted by the Council. UPWP planning activities encompass a time frame of twelve months starting July 1, 2006, and ending June 30, 2007. These activities outline the joint efforts required of the Louisiana Department of Transportation and Development, NLCOG, the Cities of Shreveport and Bossier, the Parishes of Caddo and Bossier, the Shreveport and Bossier City MPC's, Shreveport Mass Transit Personnel and affected agencies.

Budgets approved as conditions of the grants fall under the guidelines of the contractual requirements of those various grants. Budget revisions are approved by grantor agencies as required.

3. **Compensated Absences**

Employees accrue annual leave under the following schedule:

<u>Employee Length of Service</u>	<u>Annual Leave Accrual</u>
Less than one year	.83 days per month
From one year to ten years	1.25 days per month
Ten years or more	1.67 days per month

All earned but unused annual leave may be carried forward to the succeeding fiscal year.

Sick leave is granted at the rate of .83 days per month for full-time regular service or, in the case of part-time employment, at the proportionate rate as determined by comparing the employee's standard work week to 40 hours. All earned but unused sick leave can be carried forward to the succeeding fiscal year.

The following is a summary of transactions relating to the Council's accrued compensated absences during the year.

	<u>Balance</u> <u>6-30-06</u>	<u>(Decrease)</u> <u>Increase</u>	<u>Balance</u> <u>6-30-07</u>
Accrued compensated absences	<u>28,516</u>	<u>(1,098)</u>	<u>27,418</u>

At termination, employees are paid a maximum of 25 days of earned but unused annual leave.

4. Pension Plan

Northwest Louisiana Council of Governments contributes to the NLCOG Employees Retirement Plan which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments on those contributions. As established by the pension plan agreement, each employee in active service is eligible to participate in the pension plan within three months from the entrance date on which he first becomes eligible to become a participant. Contributions made by an employee vest immediately and contributions made by the Council vest fully after six years of service. An employee who leaves the employment of the Council is entitled to his contribution plan accrued interest thereon, in addition to funds contributed by the Council, in accordance with the following vesting schedule:

<u>Years of Service</u>	<u>Participant's Vested Interest</u>
2	20%
3	40%
4	60%
5	80%
6	100%

Each employee contributes 9% of his earnings to the pension plan. The Council is also required to contribute an amount equal to 9% of the employee's gross earnings.

During the year, the Council's required and actual contributions amounted to \$20,623 (net of \$16,121 in allocated forfeitures) which was 9% of its current year covered payroll of \$405,000. Employee's required and actual contributions also amounted to \$36,744.

No pension provision changes occurred during the year that affected the required contributions to be made by the Council or its employees.

The pension plan held no securities of the Council or other related parties during the year or as of the close of the fiscal year.

5. Changes in Fixed Assets

A summary of changes in fixed assets is as follows:

	<u>Balance</u> <u>6-30-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-07</u>
Fixed assets, at cost:				
Furniture, equipment, and vehicle	180,604	-	-	180,604
Accumulated depreciation:				
Furniture and equipment	(156,315)	(5,387)	-	(161,702)
Net fixed assets	<u>24,289</u>	<u>(5,387)</u>	<u>-</u>	<u>18,902</u>

5. **Changes in Fixed Assets (Continued)**

Depreciation is recorded in the general fund, as it constitutes a component of indirect costs. Fixed assets consist of office furniture and equipment, and are depreciated under the straight-line method over estimated useful lives of two to seven years.

6. **Cost Allocation Method**

Costs are allocated to NLCOG's grants pursuant to a method of allocation as required by Office of Management and Budget Circulars A-87 and A-102. Indirect costs and fringe benefits were applied to the grants during the year, under a provisional rate of 145.00% of direct labor. As a result of the audit, the actual indirect and fringe rate was computed at 148.27%.

7. **Local Support**

Local supporting governments provide cash or in-kind services in fulfilling the matching requirements of federal and state grants. Local supporting governments are billed for support in accordance with amounts established by agreement and the annual budget.

8. **Members of Governing Board-Compensation**

During the audit period no compensation or per diem was paid to any member of the governing board by NLCOG.

9. **Operating Leases**

Northwest Louisiana Council of Governments leases its office space and employee parking under an operating lease that expires in November 2007. Total rent expense amounted to \$53,398 for the year ended June 30, 2007. Future minimum lease payments under this lease at June 30, 2007 are as follows:

June 30, 2008

22,270

10. **Cash**

Cash deposits (bank balances) with financial institutions amounted to \$110,572 at June 30, 2007, and were protected by deposit insurance up to \$100,000. Pursuant to its policy, any excess balances carried from time to time by the Council are secured by a pledge of qualified U.S. government agency securities.

11. **Risk Management**

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the current or prior three fiscal years that exceeded the Council's insurance coverage. The Council's management has not purchased commercial insurance or made provision to cover or reduce the risk of loss as a result of business interruption and certain acts of God.

REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues:</u>				
Federal grants	807,266	807,266	840,734	33,468
Local funds	281,875	281,875	255,660	(26,215)
Interest and miscellaneous	-	-	4,399	4,399
Total revenues	<u>1,089,141</u>	<u>1,089,141</u>	<u>1,100,793</u>	<u>11,652</u>
<u>Expenditures:</u>				
Direct grant cost	380,000	380,000	288,351	91,649
Indirect grant cost	503,428	503,428	427,542	75,886
Nonproject costs	10,000	10,000	7,799	2,201
Other contract costs	<u>190,286</u>	<u>190,286</u>	<u>288,809</u>	<u>(98,523)</u>
Total expenditures	<u>1,083,714</u>	<u>1,083,714</u>	<u>1,012,501</u>	<u>71,213</u>
<u>Excess (deficiency) of revenues</u> <u>over expenditures</u>	5,427	5,427	88,292	82,865
<u>Fund balance at beginning of year</u>	<u>-</u>	<u>-</u>	<u>49,558</u>	<u>49,558</u>
<u>Fund balance at end of year</u>	<u>5,427</u>	<u>5,427</u>	<u>137,850</u>	<u>132,423</u>

SUPPLEMENTARY FINANCIAL INFORMATION

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES AND EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2007

	<u>FHWA</u> <u>736-09-0140</u>	<u>FTA</u> <u>LA-80-X015</u>	<u>Shreveport</u> <u>Transit</u> <u>Authority</u>
<u>Revenues:</u>			
Federal grants	470,367	56,645	30,261
Local funds	125,442	18,661	14,517
Interest and miscellaneous	-	-	-
Total revenues	<u>595,809</u>	<u>75,306</u>	<u>44,778</u>
<u>Expenditures:</u>			
Direct labor	239,983	30,332	18,036
Indirect costs	355,826	44,974	26,742
Nonproject costs	-	-	-
Other	-	-	-
Total expenditures	<u>595,809</u>	<u>75,306</u>	<u>44,778</u>
<u>Excess (deficiency) of revenues</u> <u>over expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>

<u>North/South Corridor</u>	<u>EPA Brownfield</u>	<u>Nonproject Specific</u>	<u>Total</u>
76,251	207,210	-	840,734
19,063	8,810	69,167	255,660
-	-	4,399	4,399
<u>95,314</u>	<u>216,020</u>	<u>73,566</u>	<u>1,100,793</u>
-	-	-	288,351
-	-	-	427,542
-	-	7,799	7,799
<u>95,314</u>	<u>193,495</u>	<u>-</u>	<u>288,809</u>
<u>95,314</u>	<u>193,495</u>	<u>7,799</u>	<u>1,012,501</u>
<u>-</u>	<u>22,525</u>	<u>65,767</u>	<u>88,292</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

COMPUTATION OF INDIRECT COST RATE

FOR THE YEAR ENDED JUNE 30, 2007

Indirect costs:

Advertising	795
Bonding and insurance	6,104
Building rent	59,464
Depreciation	5,387
Dues and publications	3,194
Health insurance	82,068
Holidays	20,196
Payroll taxes	6,287
Postage	1,566
Professional fees	16,427
Retirement	20,623
Salaries	54,340
Sick leave	15,239
Small equipment purchases and maintenance	58,135
Supplies	14,523
Telephone	12,110
Travel and education	29,949
Vacation	19,038
Workman's comp insurance	<u>2,097</u>
Total	<u>427,542</u>

	Direct Labor	Actual Indirect Cost	Actual Indirect Rate
FHWA 736-09-0140	239,983	355,826	
FTA LA-80-X015	30,332	44,974	
SporTran	<u>18,036</u>	<u>26,742</u>	
	<u>288,351</u>	<u>427,542</u>	<u>1.4827</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>				
Passed through the Louisiana Department of Transportation and Development:				
Metropolitan Planning	20.505	499,039	470,367	470,367
Regional Planning	20.505	63,105	<u>56,645</u>	<u>56,645</u>
			527,012	527,012
Highway Planning and Construction	20.205	306,818	76,251	76,251
Passed through the City of Shreveport:				
Federal Transit Formula Grants	20.507	30,261	30,261	30,261
<u>U.S. Environmental Protection Agency</u>				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	222,429	<u>207,210</u>	<u>207,210</u>
Total			<u>840,734</u>	<u>840,734</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

1. **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northwest Louisiana Council of Governments and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

Northwest Louisiana Council of Governments did not pass through any of its federal awards to a subrecipient during the fiscal year, nor did it expend any federal awards in the form of noncash assistance.

OTHER REPORTS

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December 31, 2007

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

**Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

We have audited the financial statements of Northwest Louisiana Council of Governments as of and for the year ended June 30, 2007, and have issued our report thereon dated December 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2007-03 to be a significant deficiency in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as items 2007-1 and 2007-02.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, M^cElroy & Vestal, LLP

HEARD McELROY & VESTAL

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December 31, 2007

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

**Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of Northwest Louisiana Council of Governments with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Northwest Louisiana Council of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northwest Louisiana Council of Governments' management. Our responsibility is to express an opinion on Northwest Louisiana Council of Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northwest Louisiana Council of Governments' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northwest Louisiana Council of Governments' compliance with those requirements.

In our opinion, Northwest Louisiana Council of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

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Internal Control Over Compliance

The management of Northwest Louisiana Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Hard, M^c Elroy & Vestal, LLP

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Northwest Louisiana Council of Governments.
2. One significant deficiency in internal control relating to the audit of the basic financial statements is reported. It is a material weakness.
3. One instance of noncompliance was disclosed during the audit.
4. The auditor's report on compliance for major federal award programs of Northwest Louisiana Council of Governments expresses an unqualified opinion.
5. There are no audit findings relative to major federal award programs of Northwest Louisiana Council of Governments.
6. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
Metropolitan Planning	20.505
Regional Planning	20.505

7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Northwest Louisiana Council of Governments was determined to not be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2007-01 - Compliance Finding

The Council's budget for the fiscal year was adopted July 26, 2006, which was after the beginning of its fiscal year. Louisiana Revised Statute 39:1309 requires that all action necessary to finalize and implement the budget for the fiscal year be taken before the end of the prior fiscal year. Accordingly, the Council was not in compliance with the provisions of this state law.

The delay in finalizing the fiscal year budget was caused by delays in approval from the Federal and state governments for certain Federal awards. We suggest that, in cases where grant award approvals are delayed, the Council adopt its budget based on its best estimate of the grant awards. This adoption should take place before the beginning of the budget year. When final grant approvals are received, appropriate budget amendments should be presented for approval. We have noted that the Council adopted the subsequent year's budget within the time period specified by law.

2007-02 - Compliance Finding

One employee of the Council charged personal expense items totaling \$582 on the Council's credit card. These credit card charges were paid directly to the credit card company by the employee, using his own funds. However, such an arrangement is a violation of state law (La Const Art 7, Sect 14), which prohibits the loan of funds or things of value by any state political subdivision to or for any person, and apparently results from management oversight. Our recommendation, with which management agrees, is that no personal items be charged to the Council's credit card or its other charge accounts.

2007-03 - Control Finding

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Council's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor has management have the ability to perform these functions in-house. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls. This condition is intentional and results from management balancing the Council's financial complexity with the appropriate level of accounting expertise. It is not cost effective for the Council to attain the ability to prepare its annual financial statements in-house.

Whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under SAS 112. In this case both management and the auditor do not believe that curing the material weakness described above is cost effective or practical and, accordingly, do not believe that any corrective action is necessary.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2007

2006-01 Budget adoption after the beginning of the fiscal year – resolved.